

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L HAVANA 0505

EO 11652: GDS
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SUBJ: CUBAN-BULGARIAN ECONOMIC RELATIONS

1. USINT OFFICER, FEBRUARY 23, CALLED ON GANCHEV, BULGARIAN COMMERCIAL COUNSELOR, FOR GENERAL DISCUSSION OF CUBAN-BULGARIAN ECONOMIC RELATIONS

2. GANCHEV SAID THAT 1978 CUBAN-BULGARIAN TRADE ACCORD CALLS FOR BALANCED TRADE TOTALING 166 MILLION RUBLES (FOB CUBA AND BULGARIA). THIS SUM REPRESENTS PLANNED INCREASE OF 18 PERCENT OVER 1977 TRADE. (WHILE GANCHEV DID NOT HAVE FINAL 1977 FIGURES, BULGARIAN STATISTICS IN HIS OFFICE SHOWED 1976 BULGARIAN EXPORTS OF 66 MILLION RUBLES AND IMPORTS OF 69 MILLION RUBLES - BOTH FOB. CONVERSION OF BULGARIAN CURRENCY FIGURES INTO RUBLES WAS PERFORMED BY GANCHEV.)

3. GANCHEV STATED THAT PARA 2 FIGURES DO NOT REFLECT "SMALL SUM" OF CREDITS PROVIDED BY BULGARIANS FOR FACTORY CONSTRUCTION, PAYBACK BY CUBANS OF EARLIER BULGARIAN CREDITS,
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CUBAN PAY OF BULGARIAN SPECIALISTS HERE, AND CHARGES FOR BULGARIAN SHIPPING. GANCHEV SAID THAT BULGARIA DOES NOT PROVIDE SHORT AND MEDIUM-TERM COMMERCIAL CREDIT, AND ONLY PROVIDES LONG-TERM CREDIT FOR FACTORY CONSTRUCTION. BULGARIAN TERMS FOR THIS CREDIT ARE ROUGHLY TEN TO TWELVE YEAR PAYBACK PERIOD, 2 TO 2.5 PERCENT INTEREST, AND ONE YEAR GRACE PERIOD. (COMMENT: GANCHEV COULD NOT BE DRAWN

OUT ON PRECISE CREDIT TERMS, OUTSTANDING DEBT, AND FACTORIES CURRENTLY UNDER CONSTRUCTION. HE WAS ONLY WILLING TO SAY THAT CREDITS GRANTED AND PAID BACK-IN CASE OF LATTER, IN FORM OF CUBAN PRODUCTS - DID NOT SIGNIFICANTLY ALTER BASIC TRADE FIGURES CITED IN PARA 2).

4. WITH REGARD TO PRICE, GANCHEV SAID THAT BULGARIANS WILL CONTINUE TO USE FIXED PRICES ESTABLISHED IN 1975 FOR ALL TRADE THROUGH 1980. STANDARD EASTERN EUROPEAN PRICE FOR SUGAR - 325 RUBLES PER TON - IS USED.

5. GANCHEV INDICATED THAT ALMOST NINETY PERCENT OF BULGARIAN IMPORTS IN 1978 WILL CONSIST OF SUGAR - 210 THOUSAND TONS, UP FROM LAST YEAR'S 200 THOUSAND TON PURCHASE. REMAINING IMPORTS INCLUDE RUN, TOBACCO, AND VERY LITTLE CITRUS. NO NICKEL OR SEAFOOD IS BEING IMPORTED. BULGARIAN EXPORTS INCLUDE MACHINERY (ABOUT 25 PERCENT OF EXPORTS) INCLUDING ELECTRIC FORK LIFTS, MACHINE TOOLS, METAL-FORMING EQUIPMENT, AGRICULTURAL MACHINERY, PUMPS, AND SPARE PARTS; CONSUMER ITEMS SUCH AS WOOL, COTTON, AND OTHER FABRICS; AND FOOD SUCH AS WHEAT, BEANS AND LARD. GANCHEV SAID THAT IT IS EXTREMELY RAE FOR BULGARIA (UNLIKE USSR AND HUNGARY) TO BUY FOOD FOR CUBA FOR HARD CURRENCY IN FREE MARKET.

6. GANCHEV SAID THAT, WHILE CUBANS ASKED FOR A FEW NEW
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TYPES OF MACHINES THIS YEAR, BULK OF INCREASE OF TRADE IS ACCOUNTED FOR BY LARGER PURCHASES OF TRADITIONAL BULGARIAN EXPORTS.

7. COMMENT: IN VIEW OF FACT THAT BULGARIAN SUGAR PURCHASES WILL ONLY INCREASE TO 210 MILLION TONS (ACCOUNTING FOR BULGARIAN IMPORTS OF 68.25 MILLION RUBLES AT STANDARD PRICES), THIS MEANS THAT IF ENVISAGED 166 MILLION RUBLE TRADE IS EVENLY BALANCED BULGARIANS EXPECT TO IMPORT ADDITIONAL ITEMS WORTH SOME 15 MILLION RUBLES. IF SUGAR REPRESENTS NINETY PERCENT OF IMPORTS, REMAINING PORTION OF IMPORTS WOULD CONSTITUTE ONLY 7.5 MILLION RUBLES. SOURCE OF DISCREPANCY IS NOT CLEAR UNLESS GANCHEV WAS NOT BEING FULLY CANDID ON ACCOUNTING OF CREDITS, SPECIALISTS' PAY, AND SHIPPING.
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